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C O N F I D E N T I A L SECTION 01 OF 02 ANKARA 005065

SIPDIS

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TAGS: [ETRD](#) [ECIN](#) [PREL](#) [IZ](#) [TU](#)

SUBJECT: FUEL FLOWING AGAIN TO IRAQ

REF: ANKARA 4880

Classified By: Charge Nancy McEldowney. Reasons 1.4 (b) and (d).

1. (C) Summary. Fuel shipments through Turkey to U.S. military and SOMO depots appear to have resumed following the partial clearing of SOMO payment arrears owed to Turkish suppliers and the establishment of a new Turkish system for monitoring deliveries in order to reduce smuggling. At the same time, the Iraqis and Turks remain deadlocked on the fundamental issue of where to locate a second border gate, which is the only sustainable way to deal with the strains on Habur. According to a Turkish MFA official, only U.S. intervention can break this deadlock. End Summary.

SOMO Payments and Export/Transit Licenses

2. (C) In an August 29 meeting with Economic Counselor, Foreign Ministry Deputy Director General for Economic Affairs Mehmet Gucuk confirmed reports we have been receiving through U.S. military email channels that Turkish companies have resumed shipping fuel products to both U.S. military and SOMO depots in Iraq following an interruption last week (week of August 22). State Minister Kursat Tuzmen had also told Charge August 25 that the issues delaying shipments had been fixed. Gucuk said that the reason for the interruption was both payments arrears owed by SOMO to Turkish suppliers and the decision of Turkey's Foreign Trade Undersecretariat (FTU) to "do something" about smuggling and illicit sale in Turkey of fuel purchased by SOMO by making shippers verify deliveries back to the Turkish Government.

3. (C) Gucuk confirmed that Turkish suppliers had received large payments from SOMO during the past week. Since the end of May, SOMO has paid approximately \$933 million to the companies, covering deliveries through June and part of July. On August 26 in Ankara, Iraqi Oil Ministry Advisor and SOMO Supervisor Samhi Faraj agreed with the FTU to regularize a system for future payments whereby payments for an entire month will be paid during the first 20 days of the following month, with 50% of the amount due paid during the first week of the following month. Gucuk stressed that this was an informal agreement that would be tested when August payments came due during the first week of September.

4. (C) Econ/C stressed the critical importance of both sustainment and SOMO fuel shipments to shared U.S. and Turkish interests in Iraq. Understanding the responsibility of the FTU to regulate trade and combat smuggling, Econ/C asked that the Embassy be informed in advance of any such initiatives that had the potential to disrupt vital supplies. Gucuk readily agreed, saying that following last week's FTU actions (which had come as a surprise to MFA) the many Turkish agencies regulating this trade had concluded an agreement among themselves to keep each other informed.

Second Gate

5. (C) Gucuk said that the Turks and Iraqis remained "deadlocked" on the second gate issue, with each side insisting on its political priorities. A KDP interest in retaining control of the border trade was, he said, the main stumbling block to a reasonable solution. He argued that the Iraqi proposal to put a second gate only 5 km away from Habur made no practical sense as it would not be supported by an expanded road network on both sides. Econ/C replied that the U.S. had made a proposal to fund an impartial study that would examine just such issues. Our idea was that this study would provide an objective basis on which to make a decision.

6. (C) Gucuk said that, frankly, the Turks could not accept the risk that a feasibility study would not result in a conclusion favoring the Turkish option, or that the Iraqi/KDP side would not block a conclusion favoring the Turkish option. He suggested that "some kind of indication or assurance from the United States that the Turkish proposal would not be put aside" would give the GOT what it needed to go forward with the TDA study.

7. (SBU) Representatives from Itochu, a Japanese firm that

has been contracted by the GOT to do a study on their proposed border gate at Ovakoy (where the Turks would prefer to build a second crossing), met with PolMilCouns on Aug. 22. They estimate that it will cost \$100M for two bridges and other equipment at the crossing and asked for USG support to encourage & both sides⁸ to support this option. PolMilCouns responded that this is a bilateral issue between Iraq and Turkey.

Comment

18. (C) Gucuk also argued that the increasing congestion at Habur added to the risk of smuggling of fuel and other perhaps dangerous products. As we described in reftel, Habur will continue to be a bottleneck and problems will continue to arise periodically as we, the Iraqis and the Turks attempt to force more goods through a limited opening. Gucuk is clearly correct that the Turks and Iraqis are blocked on the second gate issue. Without taking sides, some type of USG action that reassures the Turks that their concerns will be respected seems needed to help break the deadlock.
MCELDOWNEY